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AUG 26 1949

MEMORANDUM FOR: Chief, ICAPS

SUBJECT: The NSC 50 Approval of the Dulles Report

Reference is made to your memorandum dated 22 August 1949 concerning the above subject. Pursuant to your request, there are set out below appropriate comments on the last three items mentioned under Section 4 of the circular memorandum from the DCI dated 12 July 1949.

1. Coordination of Covert Intelligence Activities in Occupied Areas.

With regard to this problem action has been taken recently directly with the Intelligence Division GSUSA to effect a closer coordination of such activity which has resulted in an appreciable improvement in the situation and a substantial increase of coordination in both the Far Eastern and European Areas. The ultimate solution to the problem presented depends, however, in my opinion, upon appropriate agreement between, first, the IAC agencies and secondly, the National Security Council for an exact allocation and coordination of all covert intelligence activities in the areas involved. This agreement and the implementation thereof necessitate requesting certain basic revisions in NSC Intelligence Directives, particularly in NSCID-2 and NSCID-5. It is recommended that at the proper time the IAC agencies propose to the NSC a revision of these two directives which will centralize the responsibility for the coordination and procurement of all covert intelligence in the hands of the DCI both in occupied areas and in all other areas outside of the United States and its possessions. NSCID-5 should, in addition, on recommendation of the IAC Agencies be amended by the National Security Council to more specifically limit the exceptions (contained therein) to the allocated responsibility of the DCI for the conduct of all Federal espionage and counterespionage outside the United States and its possessions. Specific recommendations in this connection

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to be approved by the IAC and presented to the NSC for issuance as amended directives are presently being considered and will be proposed at the appropriate time by this office.

2. Coordination of the Handling of Defectors

As your reference memorandum indicates, the proposed coordination of the handling of defectors depends to a large extent on the issuance as soon as possible of the proposed NSCID on defectors which is being circulated to the IAC Standing Committee for consideration. It is noted that this proposed NSCID has been under consideration and in the process of preparation by the interested agencies for almost a year, during which time various unfortunate incidents involving the uncoordinated handling of defectors have clearly demonstrated the absolute necessity for coordination and control in this field. I feel I should point out in addition that even the issuance by the NSC of the proposed NSCID on defectors as now written cannot be expected to provide any immediate solution to the problem, inasmuch as before such a solution can be reached it will be necessary for the IAC agencies and the DCI to agree on and issue detailed implementing instructions and procedures which, if the progress of the proposed NSCID is any standard, may take a number of additional months to complete. In view of this, I am at the present time preparing a recommendation to the DCI for the immediate establishment of a pro tem working committee and procedure for the coordinated handling of defectors presenting critical problems.

3. Increased Emphasis on the Counterespionage Activities Abroad of CIA and Closer Liaison on Counterespionage Matters with the FBI.

With regard to the above problem this office has placed increased stress on the counterespionage function and on counterespionage activity abroad on a continuing basis. Attention is directed to the proposed order codifying and centralizing the counterespionage functions and responsibilities of the Office of Special Operations which has been recommended to the DCI for his approval and which

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he is presently considering. Plans and procedures which have been drawn up for an increased emphasis on counterespionage activity are included in the recommendation which has been submitted concerning the merger of the covert offices and related functions of CIA. To an extent, of course, the accomplishment of this increased emphasis cannot be undertaken until there is some implementation of the proposed integration of the covert offices and related functions. In connection with counterespionage activity abroad, appropriate amendment of NSCID-5 which as noted above will be recommended in due course, will permit greater clarity and coordination in the counterespionage field as well as a more effective fulfillment of the CIA counterespionage mission.

In connection with the question of closer liaison on counterespionage matters with the FBI, I feel I should point out that this liaison and the cooperation attendant thereon have increased effectively for a considerable period of time and particularly in the past two years. Obviously the development of the closest possible working relationship in this regard is not only necessary but highly desirable. Recommendations for a more orderly centralized control and effectuation of the liaison with the FBI were recently made to the Executive but the complete implementation of these recommendations is again dependent upon the integration of the covert offices and related functions of CIA. Every effort is being made, of course, not only pursuant to the recommendations of NSC 50, but particularly pursuant to the long standing instructions of the DCI, to develop the closest possible counterespionage liaison with the FBI, and I feel sure that the appropriate officials of the FBI are in agreement with me that this liaison relationship at the present time is close, effective, and mutually advantageous.

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cc: Executive

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